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The Role of Rural Food Traders

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Publication date:
1988

Document Version
Publisher's PDF, also known as Version of record

AALBORG UNIVERSITY
DEVELOPMENT RESEARCH SERIES
WORKING PAPERS

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ARBEJDSPAPIRER

FOOD MARKETING IN GHANA
THE ROLE OF RURAL FOOD TRADERS

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NO. 25 1988

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CHAPTER 1
INTRODUCTION

1.1 The Research Problem

The persistent shortage of food in most Third World Countries (TWCs) has made food production and distribution a vigorously debated topic in development studies. Recent years have witnessed a growing acceptance of the view that food marketing in general, and food traders in particular, can contribute immensely to the amelioration of rural and urban poverty in these countries.

The current interest in traders'* activities and potentials has its explanation in a combination of experience spanning the last 25 years. On the one hand several years of disappointing performances of state marketing enterprises and cooperative organizations have led to waning enthusiasm for their support among marketing economists. On the other hand, the consistent ability of traders to market the bulk of foodstuffs in most TWCs regardless of their outright discouragement in some countries have impressed many scholars. Traders' performances under such conditions have been viewed as evidence of their entrepreneurship.

In some areas, traders are the only important link between small farmers and the market economy. They are therefore the major source of income for the rural population. Their regular contact with the farmers during cropping and harvesting seasons provides them with the opportunity to exert positive influence on their farming practices. In other words, traders are considered to play two interrelated roles within the farming communities:

1. The traditional role of distributing agricultural produce within rural and urban communities (the latter frequently receiving the greater attention).
2. The distribution of agricultural inputs (and manufactured consumer goods) that can stimulate local technological development.

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*Since a fairly large proportion of local food traders in the TWCs are women the pronoun "she/her" has been adopted to describe them in this report.

Contrary to these expert views, however, traders have been subjected to regular and severe criticism by government officials in many TWCs. They have been accused of almost all the shortcomings of the food marketing system and failures of government price stabilization policies. Occasionally ruthless actions have been taken against them to compel them to conform to what the governments deem to be in public interest.

The resulting atmosphere of distrust and the deficiencies inherent in the operations of government controlled channel systems have on some occasions created situations of confusion and near panic in some countries. Governmental reactions to such situations have frequently been shortsighted and in certain cases counter-productive. A few unscrupulous traders usually capitalize on such situations to make supernormal profits, thereby providing officials with the evidence they need to justify their policies towards traders in general.

It has been suggested by some writers that the poor trader-government relationship in TWCs is due primarily to incorrect analyses, journalistic exaggerations of a few bad cases, incorrect generalization for propaganda reasons and the haste to make judgements based on only the slenderest of information. Whatever the reasons, it can hardly be gainsaid that the situation constitutes a major handicap to the development of an efficient agricultural marketing system in these countries. The immediate problem then is how to change official attitude to the traders. Having achieved this, the task of designing effective governmental support systems can be pursued. These views are germinal to the development of this study.

1.2 Objectives

The objectives of this study are twofold:

1. To examine some of the popular views about local traders, with special reference to their entrepreneurship (or lack of it), career perception and responsiveness to socio-economic changes within their business environment.
2. To investigate the potentials for a mutually reinforcing relationship between traders and farmers and the impediments (if any) for the realization of this potential.

The Torkor market centre, as will become evident shortly, provides a valuable basis for these investigations since it is a concrete result of the local inhabitants' response to a change-inducing project, namely, the establishment of the Torkor fishing harbour. Doubtlessly it will be an overambitious undertaking to attempt generalizations from this study. Nevertheless, the results can provide some additional insight into the planning and implementation of development projects in the rural communities of Ghana.

1.3 The Research Area

The main investigations have been conducted at Torkor where 140 traders were interviewed. During the course of this investigation the need for supplementary enquiries became evident. This led to the choice of the Denu market where many of the Torkor wholesale traders sell their products.

1.3.1 The Torkor Market Centre: Location and History

Torkor is a village in the Kpando district of Ghana. Kpando lies approximately 160 kilometres north-east of Accra, the capital of Ghana. It is one of the major towns of the country with a population of nearly 80,000. It has a relatively good road network linking it with other major towns and cities of the country.

The Torkor market centre itself is located about five kilometres from Kpando. A laterite road which links it to the town is unmotorable for the most part of the rainy season. The project started as a fishing harbour built by the Volta River Authority of Ghana (VRA) in 1975 as part of its Volta Lake development programme. The original objective was to help train a younger generation of fishermen in modern fishing techniques, fish preservation and distribution. Due to a combination of problems the training and support services to the fishermen stalted only a few years after it had started.

The construction of the harbour has however produced positive side-effects far beyond its initial purpose and plan. It has created an opportunity for increased transport services across the lake. This has indirectly stimulated agricultural activities in farming areas where the farmers hitherto had had serious difficulties

in selling their produce. The harbour has therefore become an important trading centre for farmers and traders from close-by villages.

At the time this study was conducted the centre had an administrative staff of five: two senior technical officers, one technical assistant officer, one fishing instructor and one typist. In addition to maintaining the few fishing boats still in operation, the staff was responsible for collecting market tolls from the traders and farmers. The revenue so collected was shared between the VRA and the Kpando District Council in the proportion of 2:3. The average monthly revenue figure in 1983 was thirty five thousand cedis (C35,000) - the highest C96,000 in March and the lowest C17,000 in September reflecting seasonal changes in the volume of produce going through the market. The VRA paid the average monthly administrative expenses of C60,000.

1.3.2 The Denu Market

As mentioned above, nearly 60 per cent of the wholesale traders in our sample sold their foodstuffs on the Denu market. Denu lies very close to the Ghanaian-Togolese border and only 5 kilometres from Lome, the Togolese capital. This study started when illegal sale of foodstuffs across the border was highly flourishing - a situation which gave an abnormal stimulus to the demand for food, and for that matter, food prices on the Denu market. In other words, the Denu market served primarily as a collecting point for retailers' (or their agents') selling in the neighbouring country.

Measures have been taken over the years to combat food smuggling without significant success. However, these measures together with a combination of market forces have made the Denu market highly unpredictable. A judicious anticipation of price changes, based on adequate and reliable market information is therefore of vital importance to the trader's success. The implications of this view are examined in greater details in chapter 4.

1.4 Hypotheses

Four sets of hypotheses have guided the investigations. These cover (1) the traders' profile, (2) operational efficiency, (3) financial management, and (4) their relation-

ships with farmers. They are presented below for a quick overview and reference. Detailed discussions of the theoretical arguments underlying the hypotheses are however postponed to chapter 2.

1.4.1 Traders' Profile

The existing literature describes traders as a bunch of aged untrained and disorganised illiterates. To investigate these observations we hypothesize as follows:

H_1 Education is a function of age; the younger traders are better educated than the older ones.

H_2 Trading is a "refuge" occupation for those with less bright career opportunities. Corollarily, trading is a "stepping stone" for the younger people anticipating recruitment into the formal sector.

H_3 The higher the level of education, the less attractive trading becomes.

1.4.2 Operational Efficiency

Those aspects of traders' operation which have received significant attention are (1) their volume of operation, (2) price determination and (3) storage decisions. The prevailing views lead to the following hypotheses:

H_4 Traders' high unit costs are due to their small volume of operation

H_5 The lack of measurement and standardization results in wide variations in prices charged for products of identical weights and quality.

H_6 Positive price spread (i.e. price difference between assemblying and consuming food markets) is due to poor marketing information dissemination (other things being equal).

1.4.3 Financing Traders' Operations

Traders are on the one hand praised for undertaking the major part of the food marketing activities in developing countries. On the other hand it is generally

acknowledged that their operations are undercapitalized. The puzzling question is how the enormous volume of trading activities is financed. We hypothesize as follows:

H_7 Interchannel credit is a major source of working capital within the food marketing system.

H_8 The need for credit increases more rapidly with nominal growth in traders' operations (i.e. with rising food prices under inflationary conditions) than under conditions of real growth (i.e. when the actual volume of operation is expanding). (The underlying argument here is that traders' ability to expand their working capital through savings improves under conditions of real growth).

H_9 a) The volume of credit a trader can expect is a function of her goodwill and trustworthiness.

b) Her trustworthiness depends on (i) her position within the channel system, (ii) the size of her own working capital, (iii) her trading experience and history of operation within the locality.

1.4.4 Relationship with Farmers

The relevant hypotheses are:

H_{10} The relationship between traders and farmers is symbiotic rather than exploitative.

H_{11} Traders' ability and willingness to support technological change within the farming sector depends on their career perception, age and position within the channel system.

1.5 Limitations of the Study

A holistic study of food marketing would require a socio-economic and political analytical framework. In this regard the analysis reported here can be regarded as partial. It focuses attention on the managerial aspects of the food marketing issues. Furthermore, the weight of emphasis on the various issues has been unevenly distributed. This is mainly due to difficulties involved in collecting reliable data on some of them. Since record-keeping is virtually non-existent

among the local traders, memory is their only source of reference. This naturally imposes limitations on the reliability of some types of information we would have asked them to provide. In order not to weaken the reliability of our data we chose to ignore such issues in the investigations.

CHAPTER II
THEORETICAL CONSIDERATIONS

The current literature on food marketing provides a rich and vigorous discussion of the roles and contributions (actual and potential) of the marketing system to the development of peasant farming. There have however been serious disagreements among scholars on the relative roles of the various institutions as well as the policy options for the development of the marketing system. This chapter outlines the essentials of the on-going debate. Its purpose is to provide a theoretical backcloth for the subsequent chapters. It also serves to place the study within a broader perspective, thereby underlying its contribution to the theoretical debate.

2.1 The Problems Relating to Small Farmer Development

It is now a well established view that TWCs' agricultural development strategies should concentrate on small farmers. Increased peasant productivity is generally considered to be essential to the attainment of the twin goals of national economic growth and equity in the rural areas.

It is further widely accepted that the accomplishment of this important task requires serious efforts in the areas of technology diffusion and marketing. Bio-chemical inputs such as fertilizers, pesticides and high yielding varieties of seeds (HYVs) must be adopted alongside the use of ecologically and culturally appropriate mechanical equipment (Kuada, 1984). The importance of improved marketing efforts have generally been seen in connection with the distribution of farmers' output. Specialised "non-marketing" institutions have been established by governments to perform the task of technological diffusion.

Experience from several TWCs has shown how extremely difficult the task of technological diffusion is. Not only must the required inputs be supplied in adequate quantities, but the distribution system must also be effective enough to enable farmers obtain the inputs without much difficulty. Credit facilities must be provided to those farmers who cannot pay for them immediately and vigorous efforts must be made to teach them to use the inputs effectively.

Most TWC governments have not been able to create these conditions simultaneously and there are serious doubts that the situation can be radically changed in the near future. This raises the need for searching for alternative approaches to technological development. As hinted earlier, the searchlight has been directed at traditional institutions such as traders and rural market centres.

Before examining the emerging ideas in this area it is purposeful to take a quick look at the general role of marketing in small farmer development. This will provide us with an essential background for the analysis of the specific contributions that traders and market centres are expected to make.

2.2 The Role of Marketing in Small Farmer Development

Agricultural marketing is generally defined to include those activities and decisions which direct the flow of

1. commodities from farmers to users
2. inputs to producers, and
3. information and other relevant resources among channel members

For the purpose of this study, the flow of consumer goods to rural markets is also considered to be part of the agricultural marketing function.

2.2.1 Marketing as the Prime Motivator of Farmers

The era of regarding peasants as being backward and incapable of making rational economic decisions is over. Findings from several studies attest the view that farmers respond to price stimulus. Their choice of crops, production and processing techniques are grounded on sound economic considerations. It has also been suggested that the availability of manufactured consumer goods in farming areas do have motivational impact on farmers. It encourages them to raise their output in order to earn sufficient income to acquire them. Marketing's influence on farmers' behaviour is therefore extensive and profound.

These observations provide justification for the emphasis on efficiency in proposals for the development of the food marketing systems. Improvements in marketing

are required to reduce retail food prices and thereby increase food consumption among the low income population (Slater, 1965). Furthermore, farmers cannot produce for sale if the cost of marketing exceeds the net proceeds of the output and/or if they cannot secure consumer goods on acceptable terms (Bauer, 1976). Improved marketing has also been considered necessary to enable farmers to prepare their produce to meet consumer requirements. In a nutshell, small farmers' ability to "graduate" from subsistence production to commercial farming hinges on marketing improvement.

2.2.2 Stimulation of Technological Change

It has also been argued that efforts aimed at motivating peasants to raise their productivity will be of no avail unless they are backed by effective technological diffusion efforts. Marketing has a vital role to play in this sphere as well. The distribution of inputs, the demonstration of their use, the provision of credit services and the dissemination of information among farmers are all parts of an effective agricultural marketing service system. The marketing system can also identify new technological needs and investigate the performance of the existing ones. Such information is valuable in improving upon the technological package at the disposal of farmers.

2.3 The Rural Market Centre Concept

The growing awareness of the potentials of traders as agents of change within rural communities has given rise to ideas about the development of rural market centres. A rural market centre is not merely a place of economic exchange. It is also an important social centre for traders and farmers. In this light, it facilitates communication and diffusion of knowledge. It can therefore serve as a convenient point for the provision of the multiple set of marketing services that farmers require (Mittendorf, 1979; 1982).

The development of a rural market into a multipurpose marketing centre entails careful planning, investments in physical facilities and the participation of the local traders in the entire development process. However, proponents of the idea however advise against the construction of large and costly facilities that have

been the hallmark of market development projects in many TWCs. Greater emphasis is rather placed on non-physical facilities in which improvements in marketing management and support services feature prominently.

A rural market centre must serve as a rural supermarket, but with a difference. It must be capable of supplying the rural community's production and consumption requirements. It must also undertake promotional campaigns aimed at diffusing technology and raising the consumption of new products. Such activities entail elaborate research, planning and training. The potentials of both farmers and traders must be scrupulously assessed, their immediate problems and shortcomings determined, and effective strategies mapped out in order to correct them. Not only that. A dedicated and a highly qualified managerial staff is also required.

2.4 Traders' in the Rural Market Centre Development Process

A review of the current activities of traders will help us appreciate their importance in the small farmer development process.

In many farming areas of the TWCs, traders are the only link between the peasants and the domestic market economy. They perform the essential marketing functions required for integrating peasants into the developing market economy. Firstly, their activities relieve the small farmer of the need to find market outlet for their surplus. In addition to their buying and selling function, the traders also perform such logistic functions as assemblying, packaging, grading, transporting and storage. In some areas, traders have been noted to provide farmers with essential market information, either directly through conversations or indirectly through their competitive behaviour (OECD, 1977, p. 19).

As pressure on land increases, partly due to increases in population, farmers move deeper into remoter areas. Frequently, infrastructural developments such as roads fail to keep pace with this movement. Consequently, traders operate under unimaginably difficult conditions to bring farmers' harvests to consumers.

Traders are also considered to be an important source of short term credit to small farmers for the purchase of essential inputs and for financing such other production activities as land preparation, sowing and weeding (Mittendorf, 1982, p. 12).

Defaults on loans obtained from traders have been estimated to be comparatively lower than loans from government sources. Furthermore, because credits are offered on a person to person basis and with personal trust as a guarantee, they are easier to administer and the overhead cost is usually zero. Thus, compared with financial institutions, traders constitute a cheaper source of credit.

2.4.1 Traders' Operational Features and Entrepreneurship

Considerable attention has been devoted in current literature to the following features of traders' operations:

1. Their capital resources
2. Education and skills
3. Managerial talent and business conduct
4. Career/Occupational outlook
5. Types of business ownership
6. Entrepreneurship

2.4.1.1 Capitalization

Empirical evidence has shown that traders normally enter the marketing system with very little capital and with extremely limited opportunities for expansion. Financial institutions and state credit outlets are usually very leery in dealing with them. This handicap is very often mitigated by trimming operational and overhead costs to the barest minimum and by adopting flexible operational policies (Lawson, 1966). With this combination of thrift and assiduity, they manage to make a living from their operations.

Paradoxically, the capital situation has been considered as both an important advantage and a serious handicap to the effective functioning and development of the marketing system. Its advantage is reflected in the relative ease with which a large number of traders can enter and establish themselves within the channel system. A sizeable proportion of the rural migrants (and a generation later, their children) are thereby assured sustenance. This reduces the socio-economically explosive problems that urban unemployment in TWCs usually creates.

This easy entry has other positive developmental implications. Seen from a macro perspective, the countries are enabled to substitute labour for capital. This reduces the constraint that the scarcity of capital imposes on the adequacy of marketing services. That is, the extensive marketing functions required at the initial stages of economic transformation (commercialization) are catered for by the large number of traders (Sørensen, 1984). This, as Bauer and Yamey (1951) argue, is of immense importance to an economy at its early growth stage when all vital sectors compete vigorously for the scarce capital and managerial resources.

The drawbacks are equally grave. With limited capital, traders are unable to introduce even the most rudimentary managerial and technological innovations into the marketing system. The system therefore lacks internally stimulated growth potentials. Changes, if any, take the form of additions of the same kind of facilities by the new entrants.

It has been further argued that being many, traders compete vigorously with each other - i.e. in a manner quite close to the perfect competition model of classical economics. This further reduces the chances of capital accumulation within the system.

A result of this woeful undercapitalization is that the innovative process among small traders is sluggish and painfully discouraging (Berens, 1980). It is therefore generally agreed among experts that additional funds should come from sources external to the trading system in order to finance the needed innovations. In the view of the present author, this conclusion seems to have been accepted without a careful analysis of the capital formation and management process within the local trading sector. It is common knowledge that small traders undertake the marketing of the bulk of the local foodstuffs in most TWCs (OECD, 1977). The question of how these enormous marketing operations are financed is still unsettled.

2.4.1.2 Education and Skill

The majority of traders have been found to be illiterates and without any formal skill. It is frequently hypothesized that education improves peoples' ability to seek, understand and introduce new ideas into their business practices. It also facilitates training of small-scale entrepreneurs. The widespread illiteracy among traders can

therefore be a serious limitation to innovation diffusion within the food marketing system.

2.4.1.3 Managerial Talent and Business Conduct

Two polar opinions currently exist about the traders' managerial ability. Some writers extol their ability to manage their undertakings in a manner that large state marketing enterprises envy. The traders have been judged to show greater flexibility in their marketing policies and strategies, greater responsiveness to market disequilibria and greater mobility within farming regions (Ląwson, 1966; Harper Hesselmark and Lorenzl, 1976).

The contrary view is that traders' activities and business conducts are guided by certain stereotype perspectives. They consider their demand curve to be highly inelastic and they concentrate on small undertakings that serve small groups of consumers. They are scarcely motivated to expand their operations and lack the managerial capacity to do so even if they try. Despite the presence of the structural conditions for competition, traders hardly compete in a manner that improves their efficiency. Furthermore, the size of their undertakings render the trading system unduly costly (Gailbraith & Holton, 1955). They adopt a formula of a "high margin - low turnover" type while "low margin - high turnover" policies would have improved the efficiency of the entire system (Holton, 1953).

These disagreements seem to be due to perceptual differences. Apparently, the nature of the traditional marketing structure and the capital resources at the traders' disposal tend to encourage conservative practices. They have nevertheless shown potentials for efficiency, given improvement in their resources and trading conditions. These potentials can be fruitfully exploited if traders are integrated into a structurally reformed and effectively coordinated marketing system. They can, for example, act as suppliers to large outlets and engage in collection and accumulation activities at the farm-gate level.

2.4.1.4 Career/Occupational Outlook

There are also disagreements among writers about the extent to which trading

should be regarded as a career or a profession. One view considers trading as a stepping-stone for rural migrants. It is therefore a temporary affair - i.e. keeping them busy until they get a chance to enter the modern wage sector.

Moser (1977) notes in her study of Bogota traders (in Columbia) that to most of them trading is "a terminal station with a fair degree of recruiment in and very little movement out". In a study of Ghanaian traders, Sørensen (1978) arrives independently at the same conclusion. In his study, traders make substantial efforts to be upward mobile, although many hardly succeed more than a step up. However, they perceive trading as a profession and encourage their children to take over when they become too old to carry on.

The unsettled question is whether traders have been trapped into this occupation by the lack of alternatives (i.e. a "refuge occupation" to quote Moser, 1977) or are drawn into it by the attraction of profits and real business prospects.

2.4.1.5 Types of Ownership

According to most empirical studies trading is typically sole proprietor undertakings. Even in cases where traders share a common market stall, they maintain their independent operations. Consequently their economic survival is rather slim. Sørensen's (1978) study notes that illness or death in a trader's family can keep her out of business over a long period or even cause her to wind up her operations.

It is fairly reasonable to argue that other forms of ownership which lead to the pooling of resources (e.g. partnership and cooperative societies) can substantially mitigate this kind of vulnerability.

2.5 Summary

The theoretical issues discussed above can be summed up as follows:

1. Sluggish development of the food marketing systems in TWCs can be a serious bottleneck to the development of TWCs' food sectors in particular, and their economies in general.

2. Positive synergistic results can be achieved by integrating food marketing development strategies into the overall agricultural development strategies of TWCs.
3. Supporting the operations of private food traders is a good investment for TWC economies. They help reduce the burden of state resources and institutions and spread the centres of growth and initiatives for change.
4. Rural market centres and traders provide promising alternative channels for effective rural technology diffusion.

CHAPTER III
TRADERS' CHARACTERISTICS

This chapter presents the characteristics of the Torkor traders and compares them with the dominant views about traders as discussed in chapter 2 (see section 2.4 above).

3.1 Age and Education

An earlier study of food traders in Ghana saw them to be aging illiterates. Twenty five percent of them were over 60 years and their average age was 37 years. Sixty seven per cent had no formal education. Education was shown to be related to age - the younger ones being better educated (Sørensen and Kuada, 1978).

The traders in the present study were relatively young. Their ages ranged from 19 to 56 years, with an average age of 32.7 years. Sixty-five per cent were between 19 and 34 years old, 26 per cent were between 35 and 44 years, and only 8.6 per cent were above 45 years of age.

In comparison with the previous study (which was about Accra traders), it can be tentatively concluded that there is a difference in age between rural and urban food traders - the former being relatively younger. A possible explanation lies in the relatively limited alternative job avenues in the rural areas.

Again by comparison, the educational levels of the traders in this study are relatively high. Only 18 per cent had no formal education, 56 per cent had first cycle education (i.e. up to 10 years of formal education) and 26 per cent had second cycle education (i.e. between 13 and 15 years of formal education).

As shown in Table 1, a distribution of the sample according to age and education indicates that the younger ones are better educated, thereby supporting our first hypothesis (H_1) and the conclusion from the previous study mentioned above. All those under 25 years had some formal education; 50 per cent had first cycle education and the other 50 per cent had second cycle education. For those between 25 and 34 years only 6 per cent had no formal education, 60 per cent had first cycle

TABLE 1

DISTRIBUTION BY AGE AND EDUCATION

Age	Formal Education							
	None	%	Up to 10 years	%	Above 10 years	%	Total	%
Under 25 years	-	-	6	4.3	6	4.3	12	8.6
25-34 years	5	3.6	50	35.7	24	17.1	79	56.4
35-44 years	13	9.3	17	12.1	7	5.0	37	26.4
45 and above	7	5.0	5	3.6	0	-	12	8.6
Total	25	17.9	78	55.7	37	26.4	140	100.0

TABLE 2

DISTRIBUTION BY AGE AND PREVIOUS WORKING EXPERIENCE

Age	Types of Previous Working Experience							
	No Experience		Non-food Trading Related Experience		Food-Trading Related Experience		Total	
	No	%	No	%	No	%	No	%
Under 25 years	3	2.1	4	2.9	5	3.6	12	8.6
25-34 years	12	8.6	28	20	39	27.8	79	56.4
35-44 years	8	5.7	10	7.1	19	13.6	37	26.4
45 and above	6	4.3	2	1.4	4	2.9	12	8.6
Total	29	20.7	44	31.4	67	47.9	140	100.0

education and 34 per cent had second cycle education. The largest proportion of the illiterates were those over 45 years old.

3.2 Career Path and Outlook

One of the most important issues examined in this study is the traders' attitude to trading as a career. Do the younger and better educated ones consider it merely as a "stepping-stone" to a better career, possibly in the formal sector?

We first examine the background of the traders - i.e. their previous working experience (if any) in terms of their education and age. We then consider the length of their trading experience as well as their outlook.

3.2.1 Age and Previous Working Experience

Nearly 80 per cent of the traders had working experience outside food trading. We have attempted to classify this experience in terms of degree of relevance to food marketing. The results indicate that 31 per cent of them had experience which is not related to food marketing - the majority of this group being school teachers. Nearly 48 per cent had experience with relevance to food marketing - e.g. sales jobs in the formal sector.

The results therefore suggest that there is some degree of labour mobility from the formal sector (i.e. teaching, accounting and office work) to the distributive trade. There has also been a noticeable internal mobility within the distributive sector itself - i.e from non-food trading to food trading.

It is worth noting that the larger proportion of the sample with previous experience are those between 25 and 34 years. This group have presumably had an adequate taste of the formal sector to be able to make a judicious decision about their future occupation.

3.2.2 Education and Previous Working Experience

The evidence provided in Table 3 reinforces the views above. All those with second cycle education (e.g. secondary school, commercial college and teacher's training eduation) had had experience within the formal sector. Only 12 of the 78 respondents with first cycle education had no previous experience before entering into the food trading sector.

The evidence so far run contrary to the dominant hypothesis that trading is a stepping stone for the better educated ones and a refuge for their less fortunate friends (see H_2 and H_3 in chapter 1). The interesting question is why people with good education and better prospects for formal sector careers choose to move into food trading sectors. Our explanations are postponed to the end of this chapter.

3.2.3 Age and Trading Experience

Now turning to the respondents' experience within the food trading sector, the results show that a significant number of them entered into the business quite recently. Nearly 43 per cent had less than five years of trading experience and about 25 per cent had been trading between five and ten years. In other words, nearly 70 per cent had only started trading during the ten years prior to this interview.

It is also significant to note that most of the new entrants are between the ages of 25 and 34. They constitute nearly 30 per cent of the sample with under 5 years of trading experience and 20 per cent of those with up to 10 years experience (see Table 4). This group is particularly interesting to observe because as noted above, they represent those with formal sector working experience.

3.2.4 Education and Food Trading Experience

Most of the new entrants come from the better educated group. Twenty-two per cent of the respondents with under five years of trading experience had first cycle education while 18 per cent had second cycle education (see Table 5)

TABLE 3

DISTRIBUTION BY EDUCATION AND PREVIOUS WORKING EXPERIENCE

Level of Education	Types of Previous Working Experience							
	No Experience		Non-food Trading Related Experience		Food-Trading Related Experience		Total	
	No	%	No	%	No	%	No	%
None	14	10	4	2.9	7	5	25	17.9
Up to 10 years (lst cycle education)	12	8.6	28	20.7	37	26.4	78	55.7
Above 10 years (2nd cycle education)	-	-	19	13.6	18	12.9	37	26.4
Total	26	18.6	52	37.1	62	44.3	140	100.0

TABLE 4

DISTRIBUTION BY AGE AND TRADING EXPERIENCE

Age	Length of Trading Experience							
	Under 5 years		From 5-10 years		Above 10 years		Total	
	No	%	No	%	No	%	No	%
Under 25 years	12	8.6	-		-		12	8.6
25-34 years	40	28.6	29	20.7	10	7.1	79	56.4
35-44 years	7	5.0	5	3.6	25	17.9	37	26.4
45 years and above	1	0.7	-		11	7.9	12	8.6
Total	60	42.9	34	24.3	46	32.9	140	100.0

TABLE 5

DISTRIBUTION BY TRADING EXPERIENCE AND EDUCATION

Length of Trading Experience	Length of Formal Education							
	None		Up to years		Above 10 years		Total	
	No	%	No	%	No	%	No	%
Under 5 years	5	3.6	30	20.0	25	17.1	60	42.9
5-10 years	2	1.4	24	17.1	8	6.5	34	24.3
Above 10 years	18	12.9	24	18.6	4	2.8	46	32.9
Total	25	17.9	78	55.7	37	26.4	140	100.0

3.3 Forms of Ownership

The general practice is for traders to operate on an individual basis (see sections 2.4, 2.5). The results of this study however seem to reveal a new trend. Over 40 per cent of our respondents operate on a loose partnership basis, the nature of which will be explained later (see Table 6). The groups have an average of 2.3 members, the largest being five and the smallest two.

It is important to note that many of them are relatively young - between 25 and 34 years. The older traders are less inclined to operate on partnership or group basis, having operated as individuals over a long period.

3.4 Some Explanations and Tentative Conclusions

Explanations of the above trends are best sought within the broader framework of the on-going soico-economic transitions in Ghana. The observations presented below are based on extensive personal interviews with a selected group of traders within the sample as well as the administrative staff of the market. They must however be considered as tentative hypotheses, rather than conclusive evidence since the coverage of the study is rather limited.

The growing attractiveness of food trading as a career for the young and educated people appears to reflect changes in the expectations of the labour force. More than a decade of a rapid rate of inflation has drastically reduced the real wages from the formal sector employment. In a country where the majority spend over 50 per cent of their earnings on food, the rising prices literally has meant starvation for many. The serious droughts in 1977 and in 1983 aggravated the food situation.

Naturally, about 80 per cent of the respondents said they took up food trading basically as a hedge against starvation. In other words, the trader's "profit" includes an intangible benefit of food security which she valued even higher than the financial gains.

It is legitimate to enquire whether this is an enduring or a temporary trend. Projections into the future are naturally hard to make with confidence without a substantial data base. One can however reasonably argue that it will continue as

TABLE 6

DISTRIBUTION OF TRADERS ACCORDING TO AGE AND OWNERSHIP

Age	Ownership					
	Individually		Group		Total	
	No	%	No	%	No	%
Under 25 years	8	5.7	4	3.0	12	8.6
25-34 years	42	30.1	37	26.4	79	56.4
35-44 years	21	15.0	16	11.4	37	26.4
45 years and above	12	8.6	-	-	12	8.6
Total	83	59.3	57	40.7	140	100.0

long as food prices continue to rise and the food security need remains paramount. In addition to this, the level of profit from food trading has arisen above formal sector wage incomes, thereby raising the traders' social status and satisfaction. These twin factors suggest a continuation of the trend.

To sum up: the results show that relatively young and fairly well educated people are entering the food trading system. A significant proportion of them have several years of experience from formal sector jobs and most of their experience are relevant to their new occupation. In additon to this many of them prefer to operate in groups rather than as individuals. If the trend continues the food trading system may benefit substantially from the injection of improved skills and ambition that the young people bring into it.

CHAPTER IV
TRADERS' OPERATIONAL METHODS AND EFFICIENCY

This chapter discusses the efficiency of the various operational methods adopted by the traders. Efficiency is analysed here from a macro or developmental standpoint. The lack of adequate data have however rendered rigorous statistical analysis impossible on some of the issues. Where possible, experimentation, direct measurements and observation techniques have been applied as a supplement to our interview results. The limitations notwithstanding, the combination of analytical methods employed provide defensible evidence that to a large extent illustrate the situation at the time of the investigation.

4.1 Farmers' Approach to Pricing

The farmers' marketing situation approximates the textbook description of perfect competition. They produce homogenous products and engage in no significant form of product differentiation. The prices of their produce are therefore determined primarily by "what the market can bear" as reflected in the prices paid by the traders at different periods during the year. The absence of grading and standardisation further implies that the farmers price their produce on quantity rather than quality basis. Yam is for example priced in lots of 100 tubers and maize in bags of 60 kilogram weights. For every 100 tubers of yam sold, the farmer adds five extra tubers to compensate for any loss due to spoilage.

The major influence on price formation comes mainly from their individual storage and supply decisions, which affect the total supply of foodstuffs in the area at any given period. Storage decisions aim at protecting the real value of their income - i.e. a hedge against inflationary trends in food price movements. As subsequent discussions will show, anticipations of continuous upward price movements are occasionally belied, resulting in panic sales and sudden fall in prices with disastrous economic consequences to the farmers.

4.2 Traders' Approach to Pricing

Traders' pricing technique follows the "cost-plus-a-mark-up" formula. As expected, the individual traders are price-takers, although their collective marketing behaviour has a considerable influence on food price movements in general. For each trader, therefore, all price components are variables, and their relative proportions at any given period are determined by factors outside her immediate control.

The purchase costs, as hinted above, are determined partly by the level of food supply, the number of traders operating within the area and government policies. Cost of storage for most of the traders is fixed at 60 cedis a month, being the rent charged for stores at the market centre. Transport costs vary in response to oil prices and availability of goods trucks. Transport costs have accordingly increased in a staircase fashion - e.g. first an abrupt jump, then a period of no change.

Under these conditions, the trader's mark-up is not a fixed margin. It varies with every load conveyed to retailers in response to prices prevailing at the selling point at the time of arrival.

As a price-taker each trader is immensely interested in cost management with a view to reducing operational costs and thereby increasing her overall income. The popular approaches employed include reducing transport costs by renting the trucks. A trader has an option of either (a) renting a truck at a fixed cost irrespective of the value conveyed, or (b) being billed according to the volume of goods conveyed. It has proved more advantageous for two or more traders conveying foodstuffs to markets along the same route to jointly rent a truck than to pay individually for the volume of goods conveyed. This arrangement naturally influences other aspects of their logistics decisions.

This evidence shows that although the traders buy and sell in small lots, they have adopted practices that reduce the main variables in their operational cost structure - namely transport. All other costs are outside their direct control. (See hypothesis H_4 in chapter 1).

4.3 Non-Standardization and Price Differentials

The lack of standardization within the marketing system suggests that the prices for most foodstuffs are determined by inspection. The general hypothesis as stated earlier (chapter 1) is that

> The lack of measurement and standardization results in wide variations in prices charged for products of identical weight and quality.

This hypothesis was tested through an experiment conducted at the Kpando retail market. First a random sample of 20 retailers of yam and water yam were selected. (These food items lack standard measures and are highly susceptible to arbitrary price variations). At the stall of each of the sample retailers, ten tubers of each item of different sizes were selected, and their weights and prices were recorded. The aim of this exercise was quite simple: To determine inconsistencies (if any) between weight and price differences of the items.

The price of the smallest item was taken as the base price. A theoretical or expected price was then calculated for the other sizes. These expected prices were then compared with the actual retail prices and their degree of variation determined. The variation is assumed to be the pricing error due to the lack of standard measurement.

Table 7 presents the results of this analysis. Yam prices revealed considerably wide variations from their expected prices (= 35.6). As the weight increases the unit prices fell considerably. Between 2.5 kgs and 3.5 kgs the retailers were selling at prices only 50% of the expected retail prices. In other words, yams of these sizes only fetched the retailers 50% of what they would have earned if the items were weighed and their prices adjusted to the base price of C120 per kilogram. The variations are less pronounced in the case of water yam (with = 8.6)

The results can be viewed from another angle. The smaller tubers could be seen as being overpriced and their higher margins serve to cover up the possible lower margins on the bigger ones. The reason might lie in the consumers' purchasing behaviour. The smaller tubers move faster because most of the consumers are too poor to buy the larger ones. Very frequently the retailer's had to slice the larger tubers to be able to serve the small volume consumers. The traders therefore seem

TABLE 7

RETAIL PRICES OF YAM OF DIFFERENT WEIGHT SOLD AT THE KPANDO MARKET (All prices in Cedis)

(1)	(2)	(3)	(4)	(5)	(6)
Weight in kgs	**Frequency in Observation**	**Actual Retail Price (Average) in Cedis**	**Expected Retail Price Assuming 0.50 kg to 1 unit and therefore the base price**	**Price Variation (3-4)**	**Price Index Assuming 0.50kg as a base**
0.50	5	60	60	0	100
1.00	10	120	120	0	100
1.50	20	150	180	-30	83
2.00	30	160	240	-80	67
2.50	5	150	300	-150	50
3.00	10	180	360	-180	50
3.50	20	210	420	-210	50
	100				50% loss = 5 = 35.6
					Average price for the whole sample is cedis 158. 5 = C11.6

Note 1) All weights are rounded to the nearest 0.50.

to capitalize on this consumer preference pattern to charge them higher prices. An additional plausible explanation is that since slicing the larger tubers entails increased risk of spoilage in the absence of good storage facilities, the traders find it justifiable to charge higher prices to make up for the possible loss.

The pricing system consequently creates an unintended price discrimination. The market segment buying the smaller tubers (most likely the poorer consumers) suffer a price disadvantage and indirectly sudsidise the prices paid by the buyers of the larger tubers.

4.4 Intermarket Price Spread and Marketing Risk

The basic hypothesis is as follows: Because of the competitive nature of the wholesale trade, intermarket price differences do not tend to be greater than transport costs. This hypothesis is predicated on the assumption that there exists perfect market information within and between the markets. The rejection of the above hypothesis can therefore be an indication of the absence of adequate market information. Our interest in this study is to verify the extent to which information services can influence the efficiency of the food marketing system. Consequently we have stated the hypothesis in a slightly different form as follows:

> Under assumptions of perfect competition and perfect information dissemination, traders in each market would know the market situation in all other markets so that price differentials between the markets would reflect only transport and handling costs of the spatial transfer.

This hypothesis is frequently tested by correlating price with the cost of moving the products between markets. The computational model is simply presented as follows:

$PM_1 - PM_2 = TC$

$TC = tc + hc + am$

Where PM_1 = price in market 1

PM_2 = price in market 2

TC = transfer cost

tc = transport cost

hc = handling cost

am = assemblers (traders) margin

If TC > (PM_1 - PM_2) traders incur losses. This condition therefore precludes significant movement of foodstuffs between the markets. The reverse leads to more than normal profit and therefore encourages commodity movement until equilibrium is restored. Comparisons of price spread therefore helps us gauge the defects in the information dissemination functions of the marketing system. It also gives an indication of channel members' sensitivity to price impulses as reflected in their supply decisions. (See Hayes and McCoy, 1978).

The use of this approach depends largely on the availability of reliable data on food prices in the various markets and their related cost of transport. The lack of such a data base in Ghana has precluded a rigorous statistical test.

Nevertheless an attempt has been made to observe the price movement between Tokor and Denu markets over a period of six months. Being a border-town market and for reasons stated earlier, price movements in Denu are greatly influenced as much by government border control efforts as by direct supply conditions. Under such conditions traders require adequate and promptly available information in order to reduce their marketing risks.

Tables 8A and 8B present the average monthly prices at which our respondents bought their supplies at Tokor and sold them at Denu during the period of investigation. We also obtained a general description of the market conditions in Denu after each trip.

It is clearly evident from the Tables that the price differentials between the two markets are greater than the transport and handling costs. The traders' margins on both food items varies widely within the months. In February 1984 a bag of maize was sold at a loss (11% of the total cost) while the margin on the same quantity was as high as 53% of the cost in November 1983. A similar pattern is shown for yam although the variations in the margins are not as pronounced as in the case of maize.

The results throw further light on the operational risks of the traders under conditions of inadequate market information. Without the market support services food trading becomes a game of chance. Both traders and consumers suffer in the

TABLE 8A

COST BREAK-DOWN FOR MAIZE AND YAM TRANSFERRED FROM TOKOR TO DENU (OCT. 1983-MARCH 1984)

Cost Variables	Maize (1 unit = 60 kg)						Yam (1 unit = 100 tubers)					
	1983			1984			1983			1984		
	Oct.	Nov.	Dec.	Jan.	Feb.	March	Oct.	Nov.	Dec.	Jan.	Feb.	March
Purchases	3200	3000	3400	3500	3000	2800	10000	13000	14500	1400	14000	13000
Storage[1)]	0.6	0.6	0.6	0.6	0.6	0.6	10	10	10	10	10	10
Handling	5	5	10	10	10	10	50	50	80	80	80	80
Market Tax (Way bill)	10	10	10	10	10	10	50	50	50	50	50	50
Transport	100	100	150	200	300	250	250	250	300	300	450	400
Incidental[2)]	32	30	34	35	30	28	100	130	145	140	140	130
Total Cost[3]	3348	3146	3605	3756	3351	3099	10460	13490	15085	14580	14730	13670

1) Estimated as 0.6 cedis for a bag of maize or 10 cedis for 100 tubers of yam

2) Estimated as 1% of unit purchase price

3) Rounded to the nearest one cedi.

TABLE 8(B)

MONTHLY PRICE DIFFERENTIALS BETWEEN TOKOR AND DENU FOR MAIZE AND YAM (OCTOBER 1983 - MARCH 1984)

(All prices in cedis. US$1 = C55)

Months	Maize					Yam				
	Unit weight 60 kg					100 tubers				
	Tokor	Denu	Price Spread			Tokor	Denu	Price Spread		
			Cost	Margin	%			Cost	Margin	%
October 1983	3,200	4,200	3348	852	25	10,000	12,500	10,460	2,040	19.5
November 1983	3,000	4,800	3146	1654	53	13,000	15,000	13,490	1,510	11.2
December 1983	3,400	5,000	3605	1395	39	14,500	16,000	15,585	915	6.0
January 1984	3,500	3,800	3756	44	1	14,000	14,500	14,580	(-80)	(0.5)
February 1984	3,000	3,000	3351	(-351)	(-11)	14,000	14,500	14,730	(-230)	(1.6)
March 1984	2,800	3,200	3099	101	3	13,000	14,000	13,670	330	2.4

process because neither of them can predict the market situation with reasonable accuracy.

4.5 Storage and Purchasing Decisions

As is typically the case in rural food marketing systems, storage at the farm-gate level is a dominant practice. The supply patterns and storage practices of the farmers are therefore important in determining the supply level within the channel at any given time.

The farmers' storage decisions are aimed primarily at taking advantage of seasonal price fluctuations and protecting their real income from inflationary erosions. The individual farmer's decision on how much to sell and when to sell is governed mainly by his transactionary requirements for cash since banking institutions are virtually non-existent in the farming areas.

There is however a fair degree of predictability in their supply patterns corresponding to periods of bulk cash requirements within the farming community. The general pattern is presented in Table 9.

The farmers' supply decisions have obvious influences on traders' purchase decisions. The collection functions involve a large number of small volume transactions on each market day. It takes an average of $1\frac{1}{2}$ market days for a wholesaler to assemble the required volume for shipment. The period obviously becomes longer when farmers' total supply diminishes.

The reduction in the collection time has been one of the primary reasons for the increasing popularity of trading partnerships as hinted earlier (See chapter 4). The purchasers' share the marketing tasks among themselves in such a way that at each given period one of them is engaged in making contact with farmers to ensure a smooth flow of supply. In this way the number of transactions is reduced, while the volume of shipment and the frequency of trips to consuming centres are increased. In financial terms these arrangements increase their turnover rate.

TABLE 9

SUPPLY SCHEDULE OF FARMERS

Months of major sales	Expenditure requirements
August - September	Children's school needs at the beginning of the school year
November - December	Christmas expenses
March - April	Farming expenses

Notes:

Supply in-between these periods are not very significant and come from farmers who are pressed for emergency expenses, for example in cases of death, sickness or birth in the family.

The supply pattern outlines above clearly suggests a need for increased storage and other logistic management functions within the channel system itself.

4.6 Traders' Marketing Efforts and Problems

Market efforts, as the term is used in this study implies the time spent by traders on the various tasks involved in the marketing process. As noted earlier, the traders do not distinguish between wages due to them for their efforts on the one hand, and returns on capital invested on the other. Such a distinction would have thrown a better light on the official claims of traders' exploitative behaviour.

Man-hours involved in the marketing activities was estimated from a close observation of the routine schedules of one of the biggest trading partnerships operating from Tokor. The partnership was established by five women in 1982. Their average age was 26, the youngest being 23 years old and the oldest 30 years old.

Three had elementray school education, one was from a commercial school, and one was a secondary school leaver. Their combined working capital was C400,000. They dealt principally in maize and yam which were sold at the Denu and Kpando markets. They took turns in performing the various specific tasks - collecting, storing, movement/transport of the foodstuff at Denu. This job rotation was to give all the partners knowledge of the various problems entailed in carrying out each activity and thereby help to strengthen the trust among them.

Generally two members of the group were assigned the task of collecting the produce from the farming villages and shipping them to Tokor. One remained at Tokor to take care of storage and any other practical problems that might arise. At the same time she was responsible for retailing on the Kpando market days. The remaining two travelled with the supplies earmarked for the Denu customers. In this way they seemed to effectively integrate their operations vertically - combining collecting with wholesaling at Denu and retailing at the Kpando market. Thus apart from the advantages of capital pooling, group trading or partnership also helps the traders save time and reduce their market efforts per person. Marketing activities in the area have made it a lucrative route for transporters to ply and thereby mitigate the transport problem.

This explanation seems to be supported by a related question in which the respondents ranked transport as the most serious problem. On the other hand the majority (83%) ranked the lack of capital first. The lack of adequate good vehicles

TABLE 10

MARKETING PROBLEM AREAS RANKED IN TERMS OF THEIR SERIOUSNESS

Rank	Problem Areas				
	Inadequate Capital	Supplies	Transport	Storage	Spoilage
	%	%	%	%	%
1	83.0	4.3	8.5	0.0	3.6
2	9.7	24.3	52.4	2.6	12.7
3	7.3	45.1	26.8	7.3	14.6
4	0.0	24.3	9.7	23.1	41.5
5	0.0	2.0	2.6	67.0	28.1

NB: % = per centage of respondents.

TABLE 11

MARKETING ACTIVITIES RANKED IN TERMS OF TIME ALLOTMENT

Rank	Activity				
	Buying	Selling	Handling	Transport	Storage
	%	%	%	%	%
1st	62.5	45.0	0.0	5.4	0.0
2nd	31.2	41.2	0.4	18.1	0.0
3rd	6.3	11.0	11.0	69.1	0.0
4th	0.0	2.8	64.6	8.4	20.7
5th	0.0	0.0	24.0	0.0	79.3

was ranked second by 52%, while the lack of supplies came third. The respondents in general were asked to rank their marketing activities in terms of the amount of time spent on them. The results are presented in Table 11.

It shows that the most time-consuming activity was purchasing which 62.5 per cent of the respondents ranked first. This was followed by selling, ranked by 45 per cent as first and 41.2 per cent as second. Transport was ranked third by about 69 per cent. Then came handling and storage which were not really considered as taken any significant time.

The increasing marketing activities at Tokor has made it a lucrative route for transport owners to ply and thereby mitigating the transport problem. This explanation seems to be supported by a related question in which the respondents were asked to rank their problems in terms of their degree of seriousness. Table 10 presents the results. Only 8.5 per cent of the respondents ranked transport as the most serious problem. On the other hand the majority (83 per cent) ranked the lack of capital first. The lack of adequate good vehicles was ranked second by 52 per cent while the lack of supplies came third.

The respondents in general have been asked to rank their marketing activities in terms of the amount of time spent on them. The results are presented in Table 11. It shows that the most time consuming activity was purchasing which 62.5 per cent of the respondents ranked first. This was followed by selling, ranked by 45 per cent as first and 41.2 per cent as second. Transport was ranked as third by about 69 per cent. Then came handling and storage which were not really considered as taking any significant time.

CHAPTER V
MANAGEMENT OF WORKING CAPITAL

One of the major weaknesses of the local trading system is the inadequacy of the traders' capital and the generally leary attitude of the banks to grant them loans.

How do the traders then finance their operations and how are they able to control nearly 90 per cent of the local food market in TWCs?

Our hypothesis (see H_7, H_8, and H_9 in chapter 1) empahsise the role of interchannel credit in financing local food marketing. This chapter presents some tests of these hypotheses in a hope to throw a furhter light on the question. The data analysed here are responses from a sub-sample of 72 respondents from our original sample. This sub-sample is different from the rest in two principal ways:

(1) They all trade in either or both of the two most popular stable foodstuffs - yam and maize
(2) They all buy directly from the local farmers.

These characteristics reduce the number of intervening variables that might influence the results of our analysis and thereby improve their reliability.

The sub-sample is however not entirely homogenous. Apart from demographic differences, the respondents also differ in terms of their position within the channel system. About 70 per cent engage mainly in wholesaling while the rest are either retailers or prepared-food sellers.

On the subject of capital management respondents were required to provide information on their sources and amount of initial capital, current capital position, the amount of cash held, credit to their customers and credit obtained from their suppliers. They were also asked to state the amount of capital they considered necessary for their optimal operation. This last information was meant to give an indication of their level of aspiration as traders and the degree of under-capitalization in general. Information from questionnaire responses was supplemented with in-depth personal interviews with ten leading wholesalers in the area. The supplementary information covers details of the terms of credit, and factors

which ensure the effectiveness of the arrangement and thereby reduce the risk of financial loss to suppliers.

5.1 Credit Facilities

Our data cover only two levels within the channel system. As noted above, the traders in our sample invariably obtain their supplies from farmers and sell either to retailers or consumers. "Suppliers" in this analysis therefore represents farmers.

Stated briefly, the results suggest the dominance of credit arrangements within the channel system. On the average, about 65 per cent of the traders' working capital is in credit (see Table 12). Cash seems to be held just to cover logistic expenses and to pay deposits for produce purchased on credit.

The importance of farmers' in this credit arrangement must not be missed. As mentioned earlier, both wholesalers and retailers in this study get their supplies directly from the farmers. The credit flow is therefore initiated by the farmers.

As shown in Table 13, farmers' credit constitutes 46 per cent of the working capital. The proportion is 41 per cent for the wholesalers and 65 per cent for the retailers. This tends to confirm the general view that traders enter trading with the barest minimum capital. But their dependence on farmers to finance a major proportion of their activities has hitherto not been revealed.

In this light the importance of credit to the food marketing system redefines the power structure within the channel system. It is a potential leverage for farmers and can be used collectively or singularly against the traders, if it is deemed necessary. As will be shown subsequently, the traders make considerable effort to maintain good relations with the established suppliers. This guarantees them the necessary credit facilities as well as regular supplies during critical periods.

5.2 Determinants of Credit

It has not been possible to undertake a statistical analysis of the determinants of a trader's creditworthiness. Exhaustive personal interviews with some of the leading

TABLE 12

COMPOSITION OF TRADERS' WORKING CAPITAL (Averages).

Type of Capital	Traders					
	Wholesalers		Retailers		All Respondents	
	Cedis	%	Cedis	%	Cedis	%
Cash	22,000	34	7,000	35	16,000	35
Credit from supplies	26,000	41	13,000	65	21,000	46
Trader's net credit to customers*	16,000	25	-	-	9,000	19
	64,000		20,000		46,000	

*Given as (Total credit to customers minus credit from suppliers).

TABLE 13

RELATIVE CONTRIBUTION OF FARMERS TO TRADERS' WORKING CAPITAL

Type	Traders		
	Wholesalers	Retailers	All Respondents
	%	%	%
Traders' contribution	59	35	54
Farmers' contribution	41	65	46

traders in the area however tend to support our hypothesis. A trader's creditworthiness is not established by any form of documented business performance as is obtained in conventional business practices. Neither are credit risks insured with securities or any form of formal guarantees. The decision to grant credit is therefore based primarily on a supplier's judgement of her customer's trustworthiness, either through earlier business relations or by the recommendations of a mutual business associate.

A new entrant into the trading system lacks any basis for proving her creditworthiness. Analysis of the general characteristics of the traders revealed that the younger ones operate on partnership basis in order to overcome this limitation. By pooling their captital together they are able to buy a greater part of their foodstuffs on cash basis. Over time, they establish their individual contacts and goodwill which guarantee them credit. Most of the established partnerships break up when the traders begin to enjoy credit facilities.

There were also evidences supporting the hypothesis that traders' position within the channel system partly determines their creditworthiness. The bigger wholesalers appear to enjoy a stronger trust from the suppliers. They command greater financial resources and are nearly always capable of honouring their debts with reasonable promptitude.

Since creditworthiness is based on subjective evaluation, traders take pains to maintain good relations with their suppliers and to protect their goodwill. Rumours of default can be disastrous for even the well established trader.

5.3 Terms of Credit

The credit arrangements seem to have a more profound influence on the structure and tempo of food marketing than hitherto acknowledged. The assemblying of supplies and their transport had to be arranged to ensure that suppliers get their money on schedule. Care was also taken by wholesalers not to oversupply their customers and to ensure that the latter could meet their payment obligations on schedule. It was not uncommon for a trader to make a trip purposely to collect payments from retailers - i.e. without conveying fresh supplies to them. The cost of such trips tended to raise the overall marketing cost and reduce the disguised

capital subsidy they enjoyed.*

The terms of the credit was itself very loose and varied widely among farmers. The common practice was that traders paid for their supplies within two weeks of delivery. This time corresponded with the time it took the cargo vessel to make a round trip - i.e. from the farmers' end of the Volta Lake to the Tokor harbour and back.

The amount of credit granted the traders in this sample has been discounted by an estimated interest factor to determine the extent of subsidy. In absolute terms, the 72 traders enjoyed a capital subsidy of C108,000 on an annual basis, or an average of C1,500. This corresponded to approximately 35 per cent of their own capital contribution.

5.4 Capital Shortage

The respondents were asked to state the amount they considered necessary for their trading activities. This question has a two-fold objective. First, it was to give an indication of the extent of capital shortage within the trading system. Second, it was to indicate the level of aspiration of traders as entrepreneurs.

The results showed that the average requirements of retailers (and prepared-food sellers) were 122 per cent greater than their existing contribution to capital (i.e. total working capital less credit from suppliers). Wholesalers, on the average wanted 170 per cent more capital than they had (see Table 14A).

The traders' conception of working capital differed from the definition adopted in this study. They did not regard credit from their suppliers as part of their working capital. The gap between the existing and expected levels of capital narrows slightly when the figures are revised in line with our definition.
The figures become 33 per cent for retailers and 90 per cent for wholesalers (see Table 14B).

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*The disguised capital subsidy mentioned above arises from the fact that the credit granted attracts no interest.

TABLE 14A

COMPARISON BETWEEN CURRENT AND REQUIRED WORKING CAPITAL

Type of Capital	Traders		
	Retailers	Wholesalers	Total
	Cedis	Cedis	Cedis
Main contribution of traders (cash + credit to customers).	18,000	64,000	46,000
Stated (average) capital requirement	40,000	173,000	121,000
Extra capital required (percentage of current capital)	122%	170%	163%

TABLE 14B

COMPARISON BETWEEN CURRENT AND REQUIRED WORKING CAPITAL

	Retailers	Wholesalers	Total
	Cedis	Cedis	Cedis
Main contribution of traders (cash + credit to customers).	18,000	64,000	46,000
Suppliers' contribution (average).	12,000	26,000	21,000
Total (average) working capital	30,000	90,000	67,000
Stated (average) capital requirement	40,000	173,000	121,000
Extra capital required (as percentage of total current capital).	33%	92%	81%

The additional capital was generally required for the expansion of their normal activities. None of the respondents considered introducing any specific technological or managerial innovations. All the same, the wide gap between the current and expected levels of capital suggests that they considered trading as a career rather than a temporary occupation. Ninety per cent of the respondents were willing to receive bank loans to finance their expansion. But serious doubts were raised about the bank's willingness to grant them loans. Only 5 per cent of the respondents had been granted short term loans (of one year duration) by the local banks.

5.5 Summary

One of the primary objectives underlying efforts to integrate peasants into the market economies of TWCs is to generate additional resources for national development. Through its link with farmers, the marketing system is viewed as an important channel for transforming and conveying the resources into other sectors of the economy. The focus has hitherto been on the provision of cheap food as farmers' contribution to national resource development.

This study draws attention to another vital dimension - the financing of the marketing system itself. The results indicate the importance of credit facilities from farmers to the food distributive trade. This, it is argued provides farmers with a vital potential leverage to counter the power of local traders. Farmers are therefore not altogether weak and helpless participants in the traditional marketing system.

The extent to which farmers use this power has not been established. But it is evident that traders are conscious of their vulnerability and are careful not to damage farmers' trust in them.

An interesting question to ask is whether farmers would prefer alternative channels to ensure them immediate cash payment for their produce to the existing system. This study could not answer this question since farmers in this area lack an alternative channel system. But evidence elsewhere seems to suggest that the choice among alternative market channels involve a lot more than cash payment. The failures of state food marketing enterprises to draw farmers away from

traditional traders in other areas of Ghana and elsewhere combine to attest to this view. (See Kuada, 1977). Apparently farmers place greater priority on their personal relations with traders and the other petty services they provide them.

CHAPTER VI
COOPERATION AMONG CHANNEL MEMBERS

The two-fold aims of this chapter are:

(i) To provide a detailed description of the nature and elements of cooperation between traders and farmers, and
(ii) to investigate the potentials for subsequent and firmer cooperation to provide a basis for rural market centre development as discussed in chapter 2.

The results can therefore provide a groundwork for more comprehensive investigations into the roles of traders in peasant farmers' technological change process.

To do this the respondents were interviewed on various aspects of their trading arrangements among themselves, and between them and the local farmers. A set of opinion statements with three-point-scale responses were included in the questionnaire in order to determine the traders own views about cooperation with the farmers.

6.1 Types of Cooperation

The results reveal only two areas of on-going cooperation of any significance - namely:

(1) credit agreements, as discussed in chapter 5, and
(2) supply agreements with or without prior financial commitments.

6.1.1 Supply Agreements

A supply agreement, as the term is used in this study, involves an undertaking by a farmer to sell part of his harvest to a specific trader according to some agreed terms. In some cases, the trader offers the farmer loans to finance the production. The terms of the agreement vary widely, depending on the needs of the parties

involved and the prevailing economic situation.

The lack of reliable information for forecasting changes in food prices discourages the practice of fixing prices at which the produce should be purchased by the trader. The normal practice therefore is for the farmer to demand the market price prevailing at the beginning of the harvest season. He is however prevented from holding back his produce in anticipation of higher prices during the later part of the season.

6.1.2 Terms of Agreement

In the present study 65 per cent of the respondents had some form of supply agreement with the farmers. The proportion was relatively higher among the wholesalers, 85 per cent of whom had agreements with more than one farmer. Similarly 70 per cent of the wholesalers (as against 20 per cent of the retailers) sell to "regular customers" - i.e. to other retailers/wholesalers or prepared-food sellers.

Direct financing of farmers' activities was however not very common. Only 28 per cent of the respondents had ever granted significant loans to their suppliers. As usual, the proportion was a bit higher for the wholesalers (46 per cent) more than for the retailers.

As noted above, traders' relationship with their suppliers depended greatly on subjective considerations. A trader is therefore not merely a business partner to the farmer (her supplier). The boundaries between friendship and business are sometimes quite difficult to draw; and so too is the balance of benefit from such relationships.

Direct financing has become less common but not because the need for loans has been removed or satisfied by other means. Two main reasons account for this:

(1) The trader's own lack of adequate funds as discussed in chapter 5, and
(2) bad experience from previous loans.

Loans granted have in many instances been used for purposes other than farming. Some farmers received loans from many traders within the same farming season. In

such cases their output could hardly cover their debt obligations.

Instead of loans some traders supply the farmers with tools such as hoes, cutlasses and fishing nets (for the fishermen). In addition to the provision of basic manufactured consumer goods the wholesalers also allowed the farmers small short term personal loans in acute financial situations. This form of assistance saved the farmers the extra financial burden a loan from a local money lender would entail.

The traders would have strongly wished to avoid granting personal loans. Ninety per cent of the respondents considered it a bad business practice. But they occasionally give in to these demands in order to maintain good trading relations with the farmers.

The popularity of the practice of maintaining supply arrangements among the Tokor traders is probably due to the general food shortage in the country and the resultant competitiveness among the traders for the available supplies. With a reliable source of supply a wholesaler secures herself a more regular supply than otherwise.

The arrangements were however of short term nature. The commitments were made at the beginning of the cropping season when funds and tools were usually needed by the farmers. When the supplies were delivered during the harvest season, the agreement was considered dissolved unless explicitly renewed.

6.2 Attitude to Cooperation

On the whole, the traders were favourably disposed toward cooperation with the farmers. The attitude of about 70 per cent of the respondents could be described as "highly positive"; while 24 per cent could be classified as "just positive". There was a slight difference in attitude between wholesalers and retailers; the majority of the former was more favourably disposed than the latter. (See Table 15). This partially supports our hypothesis that position within the channel system can have an influence on a trader's disposition towards cooperation with farmers. Since wholesalers' volume of operation is larger than the retailers, they are likely to favour efforts that would raise production and guarantee them regular supplies. This conclusion is reinforced by the fact that the wholesalers do not perform any

TABLE 15

TRADERS' ATTITUDE TO COOPERATION WITH FARMERS

(Distribution By Channel Position)

	Wholesalers		Retailers		Total	
	No	%	No	%	No	%
Higly Positive	55	39.3	40	28.6	95	67.9
Positive	14	10.0	20	14.3	34	24.3
Neutral	7	5.0	4	2.8	11	7.8
Negative (undecided)	-	-	-	-	-	-
Total	76	54.3	64	45.7	140	100.0

TABLE 16

TRADERS' ATTITUDE TO COOPERATION WITH FARMERS (DISTRIBUTION BY AGE)

Age of Respondents	Ranking									
	Highly Positive		Positive		Neutral		Negative (Undecided)		Total	
	No	%	No	%	No	%	No	%	No	%
Under 25 years	7	5.0	5	3.6	-	-	-	-	12	8.6
25-34 years	64	45.7	11	7.9	4	2.8	-	-	79	56.4
35-44 years	18	12.9	14	10.0	5	3.6			37	26.4
45 and above	6	4.3	4	2.8	2	1.4	-	-	12	8.6
Total	95	67.9	34	24.3	11	7.8	-	-	140	100.0

significant storage function and would have to rely on the farmers for supplies.

A more detailed analysis reveals some striking variations in the traders' attitude to cooperation.

Nearly all the respondents acknowledged the need for cooperation. They all fully agreed with such suggestions as "traders have knowledge which farmers could benefit from if imparted to them", and "It is a trader's responsibility to help her suppliers improve upon their farming practices". But they were less positive on suggestions about methods of support. Less than 50 per cent agreed to such suggestions as "It is a good investment to give loans to farmers", or "Traders must organise themselves into groups to help farmers" or "Traders must buy tools and fertilizers for farmers".

There may be two reasons for this. The traders may be prepared to cooperate only within the narrow framework of possibilities laid down by current relationships. That is they may want to continue their loose individual arrangements that are very limited, expanding it where necessary or convenient. They may therefore not be in favour of massive direct support programmes that may require more enduring commitments. The other possible explanation is that they have no concrete ideas about what forms the cooperation should take.

The first explanation suggests possible vigorous resistance to organised forms of cooperation. In the absence of fixed views, as suggested by the second explanation, the traders might be willing to experiment with new methods of cooperation so long as they find them appealing and profit generating.

Our general impression favours the second explanation. In terms of policy, it implies that careful discussions with the traders is required to implement a rural market centre project if their effective participation is required.

CHAPTER VII
SUMMARY AND CONCLUSIONS

The main obvervations and tentative conclusions presented earlier are brought together in this chapter to emphasise their interconnections. The presentation here follows the framework adopted in chapters 4 to 6.

7.1 Structural Changes

A significant structural evolution within the trading sector has been noted. The traders at Tokor were relatively younger and better educated than those from earlier studies. Almost all the traders expressed strong desire to expand their operations, granting adequate funds and other relevant support services. There has also been a significant trend in the movement from formal sector jobs to food trading. Assuming that this evidence reflects a national trend, we should expect a radical structural change within the local food trading system during the coming years.

7.2 Market Efficiency

Rigorous analysis of economic efficiency variables have not been possible. But the available evidence suggests that the traders in general were making an optimal use of the facilities at their disposal. At the same time, they had many serious constraints yet to be removed. Financial limitations, for example, compelled them to operate with low volumes and which again raised their frequency of purchase and transport.

Various ingenious arrangements have been made by the traders to minimise the negative effects of these constraints. An example is the growing popularity of partnership arrangements. This arrangement does not only reduce the frequency of purchase per trader, it also reduces the unit operational cost and marketing effort.

7.3 Sources of Capital and Financial Management

The traders operate with a very small capital investment of their own. Dominant sources of initial capital were personal savings and loans from relations. The capital accumulation process was noted to be painfully slow, and inadequacy of capital ranked highest on the respondents' list of problems.

The study also draws attention to the prominent role of credit to the financing of the food marketing activities. Farmers' contribution to working capital through interest free credits therefore require a more extensive investigation. Viewed in terms of channel power, the farmers' ability to disrupt the trading process can be an effective counterbalancing force against traders' possible exploitative practices.

7.4 Cooperation Between Traders and Farmers

Generally, the traders were willing to support the farmers to expand production and improve their marketing practices. The current basis of cooperation between them was however not firm enough to ensure an enduring relationship envisaged in the "agents of change" concept. Supply agreements have been entered into to mitigate the problems of shortage. What if production expands and shortages are eliminated? Farmers received no loans from the traders partly due to the inability of some to abide by the terms of their agreement. How could such a situation be alleviated? These are some of the questions to which answers must be found to create a basis for fruitful cooperation.

Judging from the foregoing evidence the traders, on the whole, pursue their occupation with assiduity and entrepreneurship. Contrary to popular official view their mode of operation is not overwhelmingly exploitative.

These observations further reinforce the view that the negative attitude of government officials towards traders is based on misinformation or lack of information. (See chapters 1 and 2). It also justifies the need for further investigations into their problems in order to provide solid basis for policies that can positively improve their operations and strengthen their link with farmers.

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